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Mexico

Market Development Reports

The Mexican Market for Distillers Dried Grains with Solubles (DDGS)

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Report Highlights:

Mexican imports of DDGS from the United States have increased dramatically over the past several years, from 45,339 MT in 2002 to 251,752 MT in just the first 8 months of 2006. DDGS offer feed grain users an attractive alternative to traditional corn feeds given their high protein content, and the relatively high international and domestic corn prices of recent months. Many industry experts expect Mexican imports of U.S. DDGS to continue to increase significantly in the coming years, driven by both the price of corn and the growing consumer acceptance of the product.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

PRODUCT DEFINITION

Distillers Dried Grains with Solubles (DDGS) is a co-product of the distillery industries e.g. the dry residue remaining after the starch fraction of corn is fermented with selected yeasts and enzymes to produce ethanol. After complete fermentation, the alcohol is removed by distillation and the remaining fermentation residues are dried. Almost all of the DDGS in the United States come from plants that produce ethanol. This product is in Sub-chapter 23.03 of the Mexican Tariff System and its classification is 2303.30.01 Solubles and Dried Grains from the Distillation of Corn.

DDGS from corn offer beef, dairy, pork and poultry producers an opportunity to decrease their unit cost of production while often maintaining similar levels of performance. The nutritional characteristics of DDGS from corn allow this feed to be effectively incorporated into many feeding diets for dairy and beef cattle, as well as for pigs and poultry. However, use of DDGS from corn does require consideration of nutritional properties, storage, and cost-benefit factors. Careful consideration of nutrient, shipping, and storage costs is essential when deciding if DDGS are an economically viable alternative for livestock operations.

MARKET SIZE

Production

Industry sources estimate that approximately 3.5 million metric tons of DDGS, a bi-product of corn based ethanol production, are produced annually in the United States. Because of regulatory changes in recent years, some regions of the U.S. are required to use an oxygenate, other than methyl tertiary butyl ether (MTBE), to reduce air pollution from automobile emissions and ethanol has become the prime substitute. Thus, as ethanol production expands, the production of DDGS is expected to double within the next few years, further increasing the quantity of DDGS available for use in livestock feeds.

Of the 3.5 million metric tons of DDGS produced annually in the United States, about 700,000 metric tons are exported to countries in the European Union for use in livestock feeds. Currently, a very small amount of DDGS is exported to Mexico, leaving about 2.65 million metric tons available for use in the U.S. and Canada.

There are no official data on Mexican production of DDGS. Based on information from the Secretariat of Economy, Mexico is expected to initiate production of ethanol in 2007 and by 2012 Mexico could be producing 4,406,000 cubic meters of ethanol from sugar cane. No estimates have been released on whether Mexico will produce DDGS from corn in the mid-term.

Who Buys DDGS in Mexico

There are over 400 registered producers of balanced animal feed in Mexico. Installed production capacity for balanced feed, in general, is approximately 32 million metric tons in 2006 and according to the National Council of Balanced Feed Manufacturers and Animal Nutrition, A.C. (CONAFAB) the industry is only utilizing approximately 75 percent of installed capacity. The following companies have reportedly imported, at one time or another, DDGS from the United States:

AGMOTION, S.A. DE C.V.
ALIMENTOS CONCENTRADOS DE CHIHUAHUA, S.A.
ALLTECH, S.DE R.L. DE C.V.

BACHOCO, S.A. DE C.V.
 CARGILL DE MEXICO, S.A. DE C.V.
 COMERCIAL FORRAJERA DE LAGOS, S.A. DE C.V.
 CONAGRA TRADE GROUP DE MEXICO, S.A. DE C.V.
 CONCENTRADOS BOVILAC, S.A. DE C.V.
 FORRAJES EL NOGAL, S.A. DE C.V.
 FORRAJES EL PALMITO, S.A. DE C.V.
 GANADEROS ASOCIADOS DE QUERETARO, S.A. DE C.V.
 GRANOS Y SERVICIOS INTEGRALES, S.A. DE C.V.
 INTER-GRAIN, S.A. DE C.V.
 LECTIO, S.A. DE C.V.
 MULTISERVICIOS 2001, S.A. DE C.V.
 NUPLIN, S.A. DE C.V.
 NUTRECOM, S.A. DE C.V.
 NUTRIMENTOS MEXICANOS, S.A. DE C.V.
 PERFIL INTEGRAL, S.A. DE C.V.
 RICE AND FEED GRAIN DE MEXICO, S.A. DE C.V.
 VALI COMERCIAL, S.A. DE C.V.

Imports

Mexican imports of DDGS from the United States have increased dramatically over the past several years, from 45,339 MT in 2002 to 251,752 MT in the first 8 months of 2006. It is expected that by the end of 2006 well over 300,000 MT will have been imported into Mexico. There is currently no other country exporting DDGS to Mexico. See table 1.

TABLE 1
 MEXICO'S IMPORTS OF DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS) FROM CORN
 (U.S. MILLION DOLLARS AND METRIC TONS)

Tariff Classification	2002		2003		2004		2005		2006*	
	U.S. \$	MT	U.S. \$	MT	U.S. \$	MT	U.S. \$	MT	U.S. \$	MT
2303.30.01 Dried Solubles and Grains from the Distillation of Corn	5.5	45,339	7.1	53,937	12.3	81,761	25.1	189,376	33.9	251,752
Total	5.5	45,339	7.1	53,937	12.3	81,761	25.1	189,376	33.9	251,752

Source: Secretary of Economy, World Trade Atlas, Mexico Edition, 2006.

* Data is from January to August.

Industry sources have stated that U.S. DDGS exports to Mexico are expected to increase significantly in the coming years, driven by both the price of corn and the growing consumer acceptance of the product. By some estimates, U.S. DDGS exports will increase by more than 350% in the next five years. The U.S. grain industry has been investing resources into this market since 2004 by running DDGS feed demonstrations with swine, dairy, and beef producers, as well as sponsoring DDGS road shows, seminars, and conferences designed to educate decisions makers about the virtues of DDGS.

IMPORT REQUIREMENTS

Tariffs

Mexican import duties are classified according to the Standard International Harmonized System, as established under the provisions of the North American Free Trade Agreement (NAFTA), sub-chapter 23.03, which includes residues of the starch industry and similar residues, sugar beet pulp, sugar cane bagasse, and other wastes of the sugar industry, beer sediments and wastes or from distillery, including in pellets.

DDGS was included in the 10-year phase-out period, and reached zero duties on January 1, 2003. Prior to this date this product was levied with a three percent duty rate.

The basic Mexican import document is the Pedimento de Importacion (customs entry document), which must be presented to Mexican Customs together with the commercial invoice in Spanish and a bill of lading. Products qualifying as "North American" must be accompanied by the NAFTA certificate of origin to receive preferential treatment. This is issued by the exporter and does not have to be validated or formalized. Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Health Certificate and Non-Tariff Requirements

Under NAFTA, Mexican imports of DDGS do not require import permits. However, animal feed exports to Mexico are subject to a Sanitary Certification and inspection by the Sanitary Qualification Office of the Health Ministry as published in the Diario Oficial (Official Gazette) on August 29, 1994. This Certificate is secured after presenting a Sanitary Statement (Constancia Sanitaria) from the exporting country's respective sanitary authorities or a FDA-certified laboratory declaring that the products, identified by production lot, are safe and fit for consumption; indicating their physical-chemical analysis; microbiological analysis; and if applicable, specific analysis; country of origin and expiration date. If this Sanitary Statement is not available, then it is necessary to present the above-mentioned documents individually plus a certificate of origin and a certified letter stating that those items are sold freely in the country of origin.

Labeling

Imported products to be sold at retail must be labeled according to Mexican government specifications. Some U.S. suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product prior to entering the country. All the information on the label must be in Spanish and must include the following data:

- Commercial/brand name
- Producer's name and address
- Exporter's name and address
- Country of origin (i.e., Producto de EE.UU.)
- Importer's name, address and RFC number (taxation number)
- Product description in Spanish
- Product description in English
- Preparation and handling instructions
- Net weight in metric units
- Date of expiration
- Ingredients
- Special warnings (if any)

U.S. companies must have a Mexican importer or a representative registered with the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico.

MARKETING

As mentioned, the U.S. grain industry realizes the potential of the Mexican market for DDGS. In order to educate potential buyers the U.S. grain marketers have run a series of educational seminars and conferences intended to reach the decision makers of the major animal feed firms. These seminars have proven successful, as nutritionists and purchasing managers are realizing the benefits of DDGS in their feed. The U.S. grain industry is embarking on a longer-term strategy to develop the Mexican market, which will include:

1. The development of DDGS distribution centers;
2. Working with nutritionists to increase the inclusion rate of DDGS in all animal feeds; and
3. Distributing a list of U.S. DDGS suppliers to purchasing managers throughout the country.

U.S. livestock and beef exporters, new to the Mexican market, are encouraged to contact the following organizations for further market information.

Animal & Plant Health Inspection Service-APHIS; USDA

Sierra Nevada 115

México D.F. 01100

México

Tel: (011)(52-55) 1997-1508; Fax: (011)(52-55) 5997-1515

Contact: Kelly Preston; Director

Secretaría de Agricultura, Ganadería y Desarrollo Rural

Dirección de Salud Animal

Recreo 14-12

México 03230 D.F.

Tel: (011) (52-55) 590-51007

Contact: Dr. Jose Angel Del Valle, Director

Office of the Ministry of Agriculture and Livestock which regulates animal health

Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutrición Animal (CONAFAB)

Watteau 70

Col. Nonoalco - Mixcoac

México D.F. 03700

Tel: (011)(52)5563-4600,5563-4682; Fax: (011)(52)5563-4881, 5611-2387

Contact: Lic. Cipriano Bermejo, Director

(The leading trade association which represents domestic manufacturers of balanced feed)

Confederación Nacional de Organismos Ganaderos (CNOG)

Mariano Escobedo No. 714

Col. Anzures

11590 Mexico, D.F.

Tel. (011) (52) 5254-3245

Contact: Lic. Andres Piedra Ibarra

Director Economic Studies and International Trade

(The leading trade association which represents domestic cattle producers)

Asociacion Mexicana de Engordadores de Ganado Bovino (AMEG)

Av. Xola No. 914

Col. Narvarte

03020 Mexico, D.F.

Tel. (011) (52) 5639-3076

Contact: Ing. Enrique Lopez Lopez, General Director

(The leading trade association which represents domestic feed lot beef producers)

Consejo Mexicano de Porcicultura (CMP)

Juan de la Barrera No. 38 – 3er Piso

Col. Condesa

06140 Mexico, D.F.

Tel. (011) (52) 5212-1290

Contact: Lic. Enrique Dominguez

General Director

(The leading trade association which represents domestic swine producers)

Union Nacional de Avicultores (UNA)

Medellin No. 325

Col. Roma Sur

06760 Mexico, D.F.

Tel. (011) (55) 64-9222

Contact: Lic. Sergio Chavez, General Director